

Local Food Promotion Program (LFPP) Final Performance Report

The final performance report summarizes the outcome of your LFPP award objectives. As stated in the LFPP Terms and Conditions, you will not be eligible for future LFPP or Farmers Market Promotion Program grant funding unless all close-out procedures are completed, including satisfactory submission of this final performance report.

This final report will be made available to the public once it is approved by LFPP staff. Write the report in a way that promotes your project's accomplishments, as this document will serve as not only a learning tool, but a promotional tool to support local and regional food programs. Particularly, recipients are expected to provide both qualitative and quantitative results to convey the activities and accomplishments of the work.

The report is limited to 10 pages and is due **within 90 days** of the project's performance period end date, or sooner if the project is complete. Provide answers to each question, or answer "not applicable" where necessary. It is recommended that you email or fax your completed performance report to LFPP staff to avoid delays:

LFPP Phone: 202-720-2731; Email: USDALFPPQuestions@ams.usda.gov; Fax: 202-720-0300

Should you need to mail your documents via hard copy, contact LFPP staff to obtain mailing instructions.

Report Date Range:	October 1, 2014 to September 8, 2015
Authorized Representative Name:	Jeff Monroe
Authorized Representative Phone:	256-872-1113
Authorized Representative Email:	jmonroe@firerescuehelp.com
Recipient Organization Name:	Eastern Alabama Wineries Assn c/o Monroe Business Ventures
Project Title as Stated on Grant Agreement:	Mobile Bottling Unit for Alabama Wineries
Grant Agreement Number:	14-LFPPX-AL-0004
Year Grant was Awarded:	2014
Project City/State:	Eastern Alabama
Total Awarded Budget:	24,000

LFPP staff may contact you to follow up for long-term success stories. Who may we contact?

☒ Same Authorized Representative listed above (check if applicable).

☐ Different individual: Name: _____; Email: _____; Phone: _____

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1. State the goals/objectives of your project as outlined in the grant narrative and/or approved by LFPP staff. If the goals/objectives from the narrative have changed from the grant narrative, please highlight those changes (e.g. “new objective”, “new contact”, “new consultant”, etc.). You may add additional goals/objectives if necessary. For each item below, qualitatively discuss the progress made and indicate the impact on the community, if any.

We used a broad based comprehensive approach to evaluate the feasibility of launching a cooperative mobile bottling operation in the Eastern Alabama/Western Georgia region.

1. In this study we reviewed existing industry information on mobile bottlings operations that is publically available through trade and academic publications.
2. We profiled existing mobile bottling operations located across the country to determine what services they provided to their customers and the cost of these services.
3. We interviewed users of mobile bottling units in Missouri and California to determine why they chose to use a mobile unit vs hand bottling.
4. We developed pro-forma financials for a small scale mobile bottling unit, to determine the amount of revenue necessary to operate profitably, give assumptions on the cost of the equipment and operating.
5. We interviewed existing wineries in Eastern Alabama and Western Georgia to determine their interest using and/or investing cooperatively in a mobile bottling unit.

- A. Market Feasibility** The market feasibility study identifies and profiles potential end users for the bottling unit, not only in Eastern Alabama, but in Georgia as well.

Currently, there are 19 wineries in Alabama and an additional 44 in Georgia. Origin Farms identified 22 wineries within a 15 county region surrounding Five Points, AL. Forty percent of the existing wineries were interviewed by phone to determine their interest in utilizing mobile bottling. Those interviewed discussed their current operations and bottling equipment. The majority had invested less than \$10,000 in their own bottling equipment including bottle fillers, corking and capsuling line. The majority interviewed have enough capacity with their existing lines for their current wine production output.

There is a real need, however, for this type of service in Alabama and Georgia. There is the possibility of “high growth” in Eastern Alabama to support a bottling line. The wine industry in Eastern Alabama is expanding. In 1988, there were three bonded wineries in Alabama, now there are 19 bonded wineries. New wineries in Alabama could potentially be interested in a mobile bottling unit. An independently operated and financed mobile bottling unit could be profitable if the industry experiences significant expansion. Further, this type of business could become an important resource to growing the Southeastern wine industry.

Because of the lack of wine infrastructure in the Southeast, there is also the potential for an independent custom crushing facility. In the U.S., there are approximately 24 custom

crushing businesses in existence. These facilities provide a variety of services for the emerging wine industry including crushing, aging, bottling and labeling.

B. Technical Feasibility

1. Developed cost estimates for constructing and/or purchasing a turn-key unit or a trailer and individual equipment.

The cost for the truck/trailer unit and bottling equipment varies dramatically depending upon the features and complexity of the equipment. We discussed a standard equipment line with a reputable supplier that was recommended by several existing mobile bottling operators to determine that a mobile bottling operation would require an investment of \$360,000 in start-up capital if new equipment was purchased. It could cost as little as \$36,000 for a mostly used or salvaged unit. These cost estimates include the following equipment: truck, trailer, pump, filler, corker, capsule spinner, labeler, hydraulic lift gate, electrical outfitting, miscellaneous tubing, hardware, flooring and other items.

2. Profiled other mobile units currently being used around the country and used this as a basis for developing a revenue model for the business and insure that all costs are being covered.

Today there are approximately 40 mobile bottling units operating in the wine regions in California, Missouri, Oregon, Texas and Virginia. The Feasibility Study profiles 10 of these companies and their break-down of prices for services in the Appendix. Services include set-up fee; fill, cork, and cap; foil and label; change fee; and hourly rate for delays.

3. Developed staffing requirements for the facility.

The Financial feasibility of the project includes estimates for labor. \$1.50 per case is allocated to a part-time bottling labor. This is for the mobile unit to pay consistent labor to travel to each farm with the unit. Labor is used for bottle washing, filling, corking, labelling and general set up. An additional \$.50 per case is allocated for labor overhead expenses.

In addition, the operation will employ a part time, year around manager who will book calls, advertise in trade publications, and manage the operation. Typically, bottling units are seasonal operations, which require some flexibility in management and labor. Management fees are assumed to be \$30,000 annually, with the understanding that this is part time, seasonal work, and will require flexibility and broad based management skills.

C. Economic and Financial Feasibility

Assessed the economic and financial feasibility of operating a mobile wine bottling unit. A five-year, monthly pro-forma income statement developed, based on a “high-growth” scenario as well as an “average-growth” scenario. The monthly income statement, balance sheet and cash flow statements predict a net profit beginning in year 3. The proforma statements for the average growth scenario indicate a net profit in year 5.

D. Propose A Business Structure

The following business structures were reviewed in the Feasibility Study:

- Partnerships
- Limited Liability Companies
- S-corporations
- Cooperatives

The following financing possibilities were discussed:

- Community Development Financing Institutions
- Small Business Administration 504 Program
- USDA Rural Development Business and Industry Guaranteed Loan
- USDA Value-Added Producer Grants

One key consideration for the proposed mobile bottling enterprise is the development of a financing plan that matches the nature of the business. It is possible that the collaboration could be financed from personal investments of the wine owners themselves, through debt service or through a combination of the two. As the organizational development process moves forward, it will be important keep in mind that a collaborative enterprise could take advantage of certain benefits (loan guarantees, grants, etc.) to assist in financing the comprehensive funding package. The collaborative nature of the proposed venture could make non-conventional financing options attractive.

2. Quantify the overall impact of the project on the intended beneficiaries, if applicable, from the baseline date (the start of the award performance period, September 30, 20__). Include further explanation if necessary.
 - i. Number of direct jobs created: N/A Project in planning stage
 - ii. Number of jobs retained: N/A Project in planning stage
 - iii. Number of indirect jobs created: N/A Project in planning stage
 - iv. Number of markets expanded: N/A Project in planning stage
 - v. Number of new markets established: N/A Project in planning stage
 - vi. Market sales increased by \$ N/A Project in planning stage
 - vii. Number of farmers/producers that have benefited from the project:
 - a. Percent Increase: N/A Project in planning stage
3. Did you expand your customer base by reaching new populations such as new ethnic groups, additional low income/low access populations, new businesses, etc.? If so, how?

Having access to mobile bottling equipment could dramatically impact the wineries in the region, ultimately leading to increased on-farm incomes in eight eastern Alabama counties and seven western Georgia counties with active small-scale wineries. Further, it could increase the number of wineries being launched in the region.

4. Discuss your community partnerships.

We interviewed 7 of the existing area wineries for this study. The concept of “collective ownership” or “cooperative ownership” of equipment/services was a non-starter for most interviewees. The primary reason for this is the wineries surveyed had already invested in equipment and had no perceived need for outside bottling services. There is a real need, however, for this type of service in Alabama and Georgia. There is the possibility of “high growth” in Eastern Alabama to support a bottling line. The wine industry in Eastern Alabama is expanding. In 1988, there were three bonded wineries in Alabama, now there are 19 bonded wineries. Currently, there is a grassroots movement underway to change existing State legislation that will make it easier for wineries to sell their wine.

New wineries in Alabama could potentially be interested in a mobile bottling unit, however, short of interviewing architects, attorneys and the TTB in Alabama, there is no way to garner information about potential new entrants into the industry.

5. Are you using contractors to conduct the work? If so, how did their work contribute to the results of the LFPP project?

The Feasibility Study was completed by Ann Wilkinson, Ph.D., of Origin Farms Consulting.

6. Have you publicized any results yet? * N/A- Project is in planning stage.

- i. If yes, how did you publicize the results?
- ii. To whom did you publicize the results?
- iii. How many stakeholders (i.e. people, entities) did you reach?

*Send any publicity information (brochures, announcements, newsletters, etc.) electronically along with this report. Non-electronic promotional items should be digitally photographed and emailed with this report (do not send the actual item).

7. Have you collected any feedback from your community and additional stakeholders about your work?

- i. If so, how did you collect the information?
- ii. What feedback was relayed (specific comments)?

A phone survey of local wineries that could potentially be involved in mobile bottling project resulted in overall lack of interest in an outside bottling amongst the existing small wineries in the area. There was little interest from existing wineries in utilizing outside bottling services or investing in a business, including a cooperative, to develop these services.

- Forty percent of the existing wineries were interviewed by phone to determine their interest in utilizing mobile bottling. All of the wineries interviewed indicated that they had no interest in using an outside bottling service.
- Those interviewed discussed their current operations and bottling equipment. The majority had invested less than \$10,000 in their own bottling equipment including bottle fillers, corking and capsuling line. The majority interviewed has enough capacity with their existing lines for their current wine production output.

However, for emerging wineries, this project may still be an option.

8. Budget Summary:

- i. As part of the LFPP closeout procedures, you are required to submit the SF-425 (Final Federal Financial Report). Check here if you have completed the SF-425 and are submitting it with this report: ☒
- ii. Did the project generate any income? In planning stage, no project income.
 - a. If yes, how much was generated and how was it used to further the objectives of the award?

9. Lessons Learned:

- i. Summarize any lessons learned. They should draw on positive experiences (e.g. good ideas that improved project efficiency or saved money) and negative experiences (e.g. what did not go well and what needs to be changed).
- ii. If goals or outcome measures were not achieved, identify and share the lessons learned to help others expedite problem-solving:
- iii. Describe any lessons learned in the administration of the project that might be helpful for others who would want to implement a similar project:

There is the possibility of “high growth” in Eastern Alabama to support a bottling line. The wine industry in Eastern Alabama is expanding. In 1988, there were three bonded wineries in Alabama, now there are 19 bonded wineries. Currently, there is a grassroots movement underway to change existing State legislation that will make it easier for wineries to sell their wine.

A change in legislation in the State of Alabama could significantly impact the wine industry. In 1988, Virginia had 39 wineries. The industry has grown to 275 wineries in 2013 with an economic impact of \$750 Million. Other States around the country have relaxed legislation as a way to foster economic growth, especially in rural areas.¹

Based upon the exploration of the project issues to be addressed, as well as financial projections, it is certainly possible for the proposed mobile wine bottling enterprise to be successful and profitable.

10. Future Work:

- i. How will you continue the work of this project beyond the performance period? In other words, how will you parlay the results of your project’s work to benefit future community goals and initiatives? Include information about community impact and outreach, anticipated increases in markets and/or sales, estimated number of jobs retained/created, and any other information you’d like to share about the future of your project.

¹ “A Nation of Wineries,” New York Times, July 5, 2013.

- ii. Do you have any recommendations for future activities and, if applicable, an outline of next steps or additional research that might advance the project goals?

Question 10:

- How will you continue the work of this project beyond the performance period? In other words, how will you parlay the results of your project's work to benefit future community goals and initiatives? Include information about community impact and outreach, anticipated increases in markets and/or sales, estimated number of jobs retained/created, and any other information you'd like to share about the future of your project.
- Do you have any recommendations for future activities and, if applicable, an outline of next steps or additional research that might advance the project goals?

We do not know if there is enough growth potential to successfully carry out this project in the current circumstances. In the State of Alabama current regulations hinder the growth of small farm wineries. However, we hope these laws will be changing in the future. We will continue to monitor the political climate as well as the regulatory conditions in Alabama.

We will continue to develop our knowledge base of mobile bottling operations and accumulating information on successful operations in the region and nationally.